(b) when was this formula for transfer of assistance framed and what was the rationale for considering the chosen criteria;

(c) whether any State has requested tor revision of the formula or for inclusion of other parameters; and

(d) if so, what was the request and what action has been taken by the Central Government?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Plan assistance is transferred to States, on the basis of the Gadgil-Mukerjee Formula last approved after modification in December, 1991. As per this formula, Normal Central Assistance (NCA) for all general category States is distributed in the loan-grant ratio of 70:30 and for the Special category States in the loan-grant ratio of 10:90.

(c) and (d) In the 51st meeting of the National Development Council, Rajasthan suggested that Gadgil Formula may be reviewed by giving weightage to the geographic area, index of infrastructure development and percentage of SC/ST population. A change in the criteria for allocation of Central Assistance requires approval of the National Development Council (NDC). There is no proposal under the consideration of Planning Commission for changing the criteria for allocation of Central Assistance to States.

Failure of banks in achieving priority sector lending targets

†1537. SHRI SURENDRA LATH:
SHRI SUDARSHAN AKARAPU:

Will the Minister of FINANCE be pleased to state:

(a) whether RBI have conducted a review of the performance of all the commercial banks both public and private in relation to achievement of priority sector targets as per the revised norms;

(b) the number of banks that have failed to achieve PSL targets as per the revised norms; and

†Original notice of the question was received in Hindi

(c) what penalties RBI have imposed on the erring banks for non-achievement of the targets?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) Reserve Bank of India (RBI) has reported that it has not yet revised its policies on lending to Priority Sector by domestic scheduled commercial banks.

The existing guidelines of the RBI stipulate a target of 40% of Net Bank Credit (NBC) for lending to the priority sector by domestic scheduled commercial banks both in the public & private sector. Within this, sub-targets of 18% and 10% of NBC have been stipulated for lending to agriculture and weaker sections, respectively.

Two public sector banks and ten private sector banks did not achieve overall target of 40% of their NBC for lending to priority sector as stipulated in the existing guidelines as on March 31, 2006.

Public and Private Sector Banks, which fail to achieve the priority sector and/or agriculture lending targets, are required to deposit into Rural Infrastructure Development Fund (RIDF) such amounts as may be allocated to them by the RBI. As a measure of disincentive for non-achievement of priority sector and/or agriculture lending targets, the rate of interest on deposits made by the contributing banks in RIDF has been lowered and is paid in inverse proportion to the extent of shortfall in the agriculture lending *vis-si-vis* the stipulated target of 18%.

Effect of aids virus on economy

1538. SHRIMATI SYEDA ANWARA TAIMUR:
SHRI VIJAY J.DARDA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the National Council of Applied Economic research (NCAER) has projected as to how the HIV virus affects the Indian Economy as household income falls by around 10 per cent, basing this on the current disease prevalence in India;

(b) if so, how this situation is to be avoided; and